

THE PRESIDENT'S FY 2005 EDUCATION BUDGET

Summary and Analysis

February 13, 2004

Background

Nearly 55 million students will attend the nation's elementary and secondary schools in 2005 - 4 million more than in 1995. Full-time college enrollment will reach 16.7 million students - 14 percent more than a decade ago. Indeed, school enrollments are expected to stay at record levels through 2013.

In the 2005 school year – the year funded by the President's FY 2005 budget – schools will be bursting at the seams with more students at the same time that the “rubber meets the road” under the No Child Left Behind Act. In the 2005 school year, schools must actually test every student in grades 3-8 in reading and math or face federal sanctions. By the end of the 2005 school year, every classroom teacher must meet federal qualifications prescribed by NCLB. While intensity of federal accountability rules increases, state and local resources for education investments remain constrained as fiscal pressures continue in most states. Between 2002 and 2004, 35 states failed to give schools increases that kept up with enrollment increases and inflation. This year, 21 states are forecasting budget shortfalls totaling \$40 billion.

Against the backdrop of record enrollments; unprecedented Federal requirements for assessments, interventions for struggling schools and teacher qualifications; and rising demand for college assistance, President Bush has proposed the smallest discretionary increase in nearly a decade for federal K-16 education. Moreover, OMB budget tables show that, by FY 2009, \$1 billion of the proposed \$1.7 billion increase for FY 2005 will disappear under the Administration's longer term budget plan.

Department of Education Discretionary Appropriations

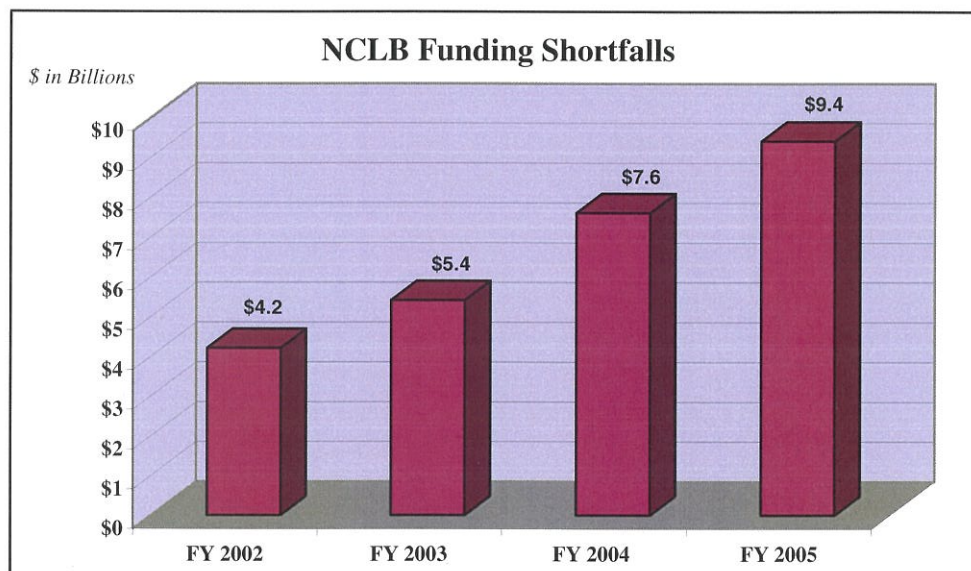
(Program level, \$ in millions)

Fiscal Year	Appropriation	Increase Over Prior Year	
		Dollars	Percent
1996	23,036	-1,676	-6.8%
1997	26,645	3,609	15.7%
1998	29,903	3,258	12.2%
1999	33,521	3,618	12.1%
2000	35,606	2,085	6.2%
2001	42,231	6,625	18.6%
<i>Enactment of No Child Left Behind</i>			
2002	49,936	7,705	18.2%
2003	53,114	3,178	6.4%
2004	55,662	2,549	4.8%
2005 Bush Request	57,339	1,677	3.0%

Budget Summary

For FY 2005, President Bush proposes \$57.3 billion for Department of Education discretionary programs, a net increase of \$1.7 billion (3 percent) over FY 2004. The Bush education budget continues last year's pattern of financing increases for Administration priorities, in part, by terminating Congressional priorities. His budget eliminates 38 education programs funded at \$1.5 billion in FY 2004 and about \$325 million in Congressional project earmarks.

No Child Left Behind Act is underfunded by \$9.4 billion in FY 2005. The Bush budget includes \$24.9 billion for NCLB programs compared with \$34.3 billion authorized in FY 2005, a shortfall of \$9.4 billion. While House Republicans have claimed that there is no specific FY 2005 amount authorized for NCLB, two programs – Title 1 and after school grants – whose FY 2005 authorizations are clearly identified in the law account for \$8.2 billion or nearly 90 percent of the total shortfall. The cumulative funding shortfall since enactment of NCLB would exceed \$26 billion if the Bush FY 2005 budget were adopted.



Overall, the Bush request provides only about an inflationary increase of \$448 million (1.8 percent) over last year for NCLB programs. Excluding Title 1 grants, the most significant NCLB programs (teacher quality, after school, technology, bilingual education, safe and drug free schools, Impact Aid, rural education and innovative education) are all frozen at last year's levels, while the comprehensive school reform and smaller learning communities programs are eliminated completely. The Administration's priority programs - Title 1, Reading First and state assessments grants - are singled out for increases of 8, 12 and 5 percent, respectively.

SIGNIFICANT NCLB PROGRAMS

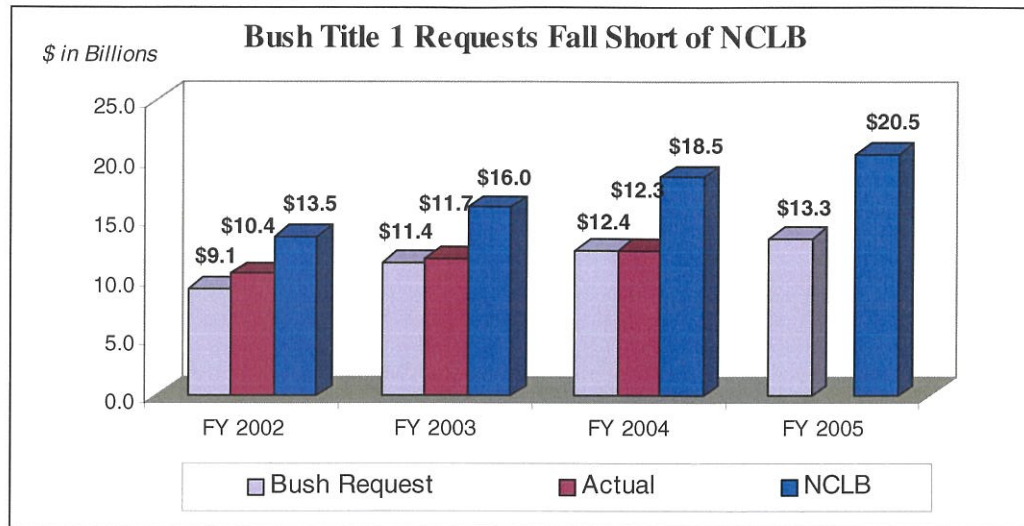
(Program level, \$ in millions)

	FY 2005	Increase Over FY 2004
Title 1 Grants to LEAS	13,342	1,000
Reading First/Early Reading First State Grants	1,257	139
21st Century After School Centers	999	0
Teacher Quality State Grants	2,930	0
Education Technology State Grants	692	0
English Language Acquisition State Grants	681	0
Safe and Drug Free State Grants	441	0
Innovative Education	297	0
State Assessments Grants	410	20
Impact Aid	1,230	0
Rural Education	168	0
Comprehensive School Reform	0	-308
Smaller Learning Communities	0	-174

To obscure the President's repeated failure to request promised funding for NCLB, Administration officials have begun to assert that states have \$6 billion in unspent federal funds, implying that these funds are left over or unused and can be spent to implement NCLB. According to an internal Department of Education analysis, states actually are drawing down the funds to pay bills at a slightly *faster* rate than normally would be expected. Rather than being awash in money as implied by the Administration, many states remain in deep financial trouble. For example, 38 states report that they do not have sufficient staff to carry out everything required by NCLB. A growing number of states are becoming alarmed as they begin to count up all of the costs associated with complying with NCLB's requirements and are wondering how they will pay for these mandates. Republican legislators in Virginia, for instance, recently adopted House Joint Resolution No. 192 expressing concern about NCLB unfunded mandates:

NCLB contains several very expensive mandates, Congress has not provided sufficient funds for its mandates; for example, the voluminous computerized record-keeping requirements of the law will cost literally millions of dollars that Virginia does not have, yet must spend to meet the requirements of NCLB.

Title 1. The Bush budget provides \$7.2 billion less for Title 1 grants to low-income schools than called for in NCLB. The Bush budget includes \$13.3 billion for Title 1 grants to low-income schools compared with \$20.5 billion authorized in FY 2005, a shortfall of \$7.2 billion. At this budget level, 2.4 million fewer low-income children would receive critical reading and math help than promised in NCLB. With the additional \$7.2 billion, an additional 148,000 teachers could have been hired to provide instruction to students in over 25,000 schools nationwide that did not make "adequate yearly progress" last year under NCLB. The Administration's Title 1 request provides a \$1 billion (8 percent) increase over FY 2004. But in each year of the President's Administration, his budget has fallen far short of the funding intended under NCLB.



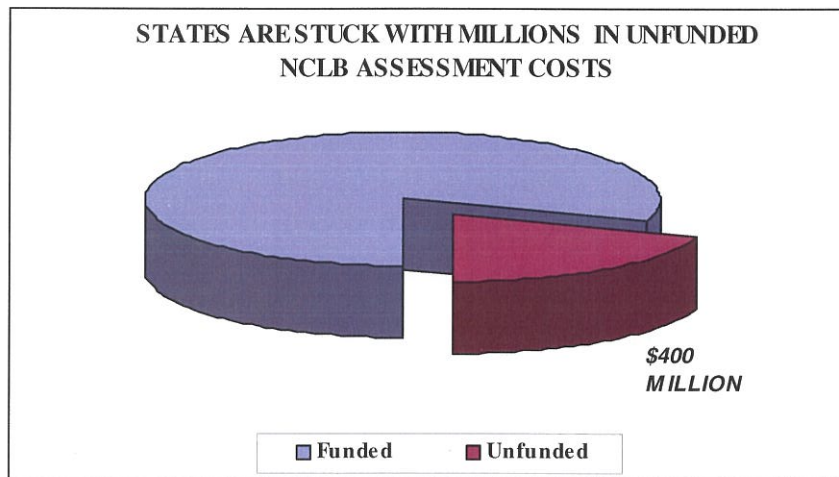
After School. *The Bush budget provides \$1 billion less for after school centers than called for in NCLB.* The Administration proposes to freeze after school center funding at \$999 million, \$1 billion less than the \$2.0 billion authorized in NCLB. At the request level, 1.3 million fewer children would be served than called for in NCLB. In contrast, the Census Bureau estimates that 6.9 million children are regularly unsupervised in the after-school hours.

Teacher Quality. *Although NCLB imposes higher standards for teachers, 56,000 fewer teachers will be trained under the Administration's budget for the Teacher Quality State Grant.* The Administration plans to freeze funding for the Teacher Quality State Grants at \$2.9 billion for the third year in a row. As a result, 56,000 teachers fewer teachers would receive high-quality professional development in FY 2005. Last year, the Department of Education reported that 46 percent of the nation's secondary teachers – about 577,000 teachers - do not meet the NCLB definition of highly qualified". NCLB authorizes \$3.2 billion for the Teacher Quality State Grants; \$245 million more than the Bush budget.

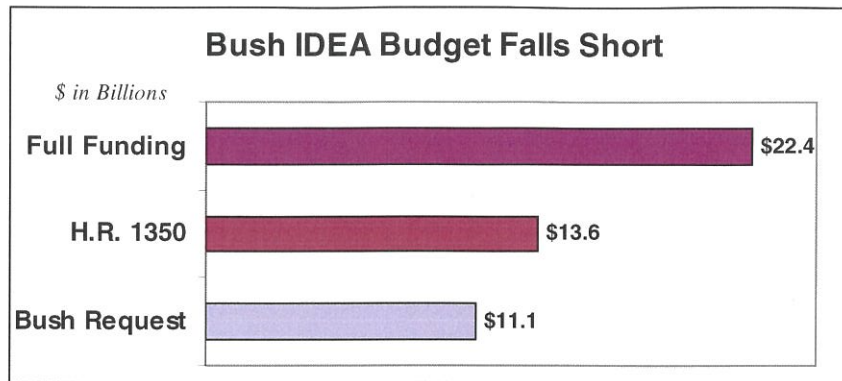
Other Teacher Training Programs. On one hand, the budget proposes to increase Department of Education math and science teacher training by \$120 million to \$269 million; but, on the other hand, it includes a \$60 million *cut* in the companion National Science Foundation effort. On one hand, the budget proposes \$40 million for an untested effort (called the Adjunct Teacher Corps) to recruit temporary math and science faculty from business and industry while, on the other hand, proven teacher training programs, including Troops to Teachers, Transition to Teaching, Teaching American History, Special Education Personnel Preparation, receive no increases at all. Despite a teacher preparation initiative announced with much fanfare in 2002, the President would spend 9 percent *less* on the Teacher Quality Enhancement Program in 2005 than spent in 2001; this \$89 million program takes a systematic approach to improving the way our nation recruits, prepares, licenses and supports teachers.

English Language Acquisition. The Administration freezes funding for the Language Acquisition State Grants at its current level of \$681 million, falling \$69 million short of the \$750 million *NCLB* funding target set two years ago. At this budget level, 57,000 fewer limited English proficient children would receive English instruction than promised in NCLB. The number of children with limited English skills has doubled in the last ten years to over 5 million students today. And by 2020, the number of Hispanic students is expected to grow 60 percent more to 12.7 million students.

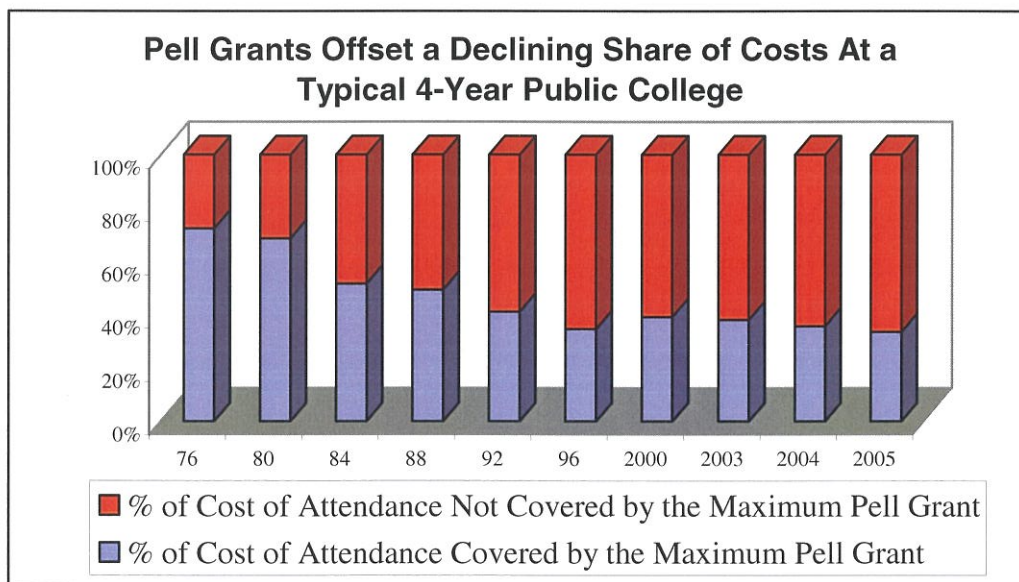
State Assessments. Bush budgets fail to finance all state expenditures for NCLB tests. The Bush budget includes \$410 million for State Assessments - \$400 million for state formula grants and \$10 million for competitive grants to help states develop better tests for limited English proficient students. The request provides a \$20 million or 5 percent increase over FY 2004. Nonetheless, the General Accounting Office estimates that state expenditures to develop NCLB-mandated tests will total \$2 billion between 2002 and 2005 assuming most states continue their *current practice* of using a combination of multiple choice and more open-ended questions to assess student performance (rather than “dumbing down” their current assessments into basic, multiple choice, off-the-shelf tests). Between 2002 and 2005, under the President’s proposals, the federal government will have provided about \$400 million *less* than estimated state expenditures for the NCLB-required assessments.



IDEA. The Bush budget falls \$2.5 billion short on special education funding for 6.9 million children with disabilities. The budget includes \$11.1 billion for IDEA Part B State Grants, \$2.5 billion less than authorized in H.R. 1350, the IDEA reauthorization bill passed by House Republicans and supported by the White House last year. While the Bush budget provides a \$1 billion (10 percent) increase over FY 2004, CRS estimates that with a \$1 billion annual increase for special education full funding of IDEA will *never* be achieved. Because of special education enrollment and cost growth, the Bush budget would finance only a 19.7 percent federal contribution toward special education expenditures in the 2005 school year compared to 18.6 percent in the 2004 school year and the 40 percent authorized contribution.



Student Financial Aid. Pell Grants are frozen for 5.3 million students, but a few would receive enhanced grants. The Administration proposes to freeze the maximum Pell Grant at \$4,050, resulting in a 3-year freeze in the maximum grant. Currently 5.3 million low-income college students depend on Pell Grants to pay escalating college expenses, driven by state higher education budget cuts. However, under the Bush budget, the maximum Pell Grant would pay for only 34 percent of typical costs at a four-year public college compared to 72 percent in 1976. Although the request includes an \$823 million increase for the Pell Grant program, all of the increase is needed to simply maintain existing award levels to a greater number of qualifying students.



Moreover, the budget would also freeze (SEOG, College Work Study), cut (Perkins Loans) and eliminate (LEAP Grants) funding for campus-based student aid programs, resulting in a loss of grants, work-study assistance and loans to about 78,000 students. TRIO and GEAR UP funding are frozen at \$833 million and \$298 million respectively.

Enhanced State Scholars Initiative. Despite pledging as a candidate for President to raise the Pell Grant to \$5,100 for each college freshman, President Bush now proposes \$33 million for a tiny pilot program, Enhanced Pell Grants for State Scholars, to provide up to a \$1,000 Pell Grant supplement to 36,000 students - less than 1 percent of all Pell recipients - who participate in a strong high school curriculum through the State Scholars Program. Currently, only 14 states participate in the State Scholars Program.

Pell Grant Scoring Change. The Bush budget also fails to include any funding to pay off an unprecedented \$3.7 billion shortfall in the Pell Grant Program from prior years because of an unanticipated rise in individuals seeking postsecondary education and retraining. The Administration attempts to paper over this glaring omission by suggesting that it will work with Congress to find a solution to this problem. Apparently, the Administration's solution - tucked into the fine print of the budget documents - is a proposal to change the scoring rules for the Pell Grant program. This proposal would, in essence, treat the Pell Grant Program as an entitlement and require the Appropriations Committees to provide the full amount of each year's program costs based on the maximum award level as estimated by OMB. The Administration's own budget requests, however, have failed in recent years to accurately estimate annual Pell Grant program costs and, thus, it is difficult to see how this scoring proposal would solve the Pell Grant shortfall problem.

Program Terminations. Thirty-eight (38) education programs would be eliminated. The Bush budget again proposes to eliminate an extensive number of education programs. The largest of these are Comprehensive School Reform (\$308 million), Even Start (\$247 million), Smaller Learning Communities, and Perkins Loans (\$100 million).

Comprehensive School Reform. Over 3,000 schools would lose grants they were promised to implement proven, research-based schoolwide reforms under the Administration's plan to terminate the Comprehensive School Reform Program. Ironically, in a 2003 Rose Garden ceremony, President Bush congratulated the principal of City Springs Elementary School - one of the poorest schools in Baltimore, Maryland - for raising the academic achievement of the school using Direct Instruction, one of a number of effective comprehensive school reform models. Comprehensive school reform had its genesis as a private sector initiative under the first Bush Administration and continues to be championed by business leaders.

Even Start family literacy. The William F. Goodling Even Start program supports family-centered educational services for low-literate, low-income parents and their young children. GAO reported in 2002 that most Even Start families had annual incomes less than \$15,000, almost 75 percent of Even Start families were unemployed and 86 percent of Even Start parents had not completed high school. Learning English, improving their chances for a job, improving parenting skills and obtaining early learning for their children were the most important reasons for parent participation in the program. But, the Bush budget "robs Peter to pay Paul" by shifting \$247 million from Even Start into other literacy initiatives favored by the Administration, namely the Reading

First/Early Reading First initiatives (increased by \$139 million) and a new \$100 million Striving Readers initiative targeted to at-risk middle and high school students. As a result of the President's proposal, 57,000 children and 42,700 adults would be denied important education services.

"Small Schools". Although Secretary Paige has admitted that "smaller is better", the Bush budget abandons a popular \$174 million program called Smaller Learning Communities to help the nation's 4,500 large, comprehensive high schools enrolling more than 1,000 students reorganize into smaller, more successful and safer schools. Under the Administration's proposal, nearly 1.2 million students in roughly 600 high schools would not receive the benefits of more personal attention and improved instruction financed through Smaller Learning Communities grants. The federal "small schools" initiative – focused on reorganizing existing schools - complements an effort launched by the Gates Foundation to establish several hundred new, small schools across the country.

Tech-Prep Education. As part of a radical plan to revamp the Carl Perkins Vocational and Technical Education Act, the budget would cut vocational education funding by \$316 million in FY 2005, including terminating the \$106 million Tech-Prep education state grants. At least 25 percent of all high school graduates go to work directly after high school. The Tech-Prep funds help to expand the number of students who go on to higher education, and links high school vocational and community college training programs. The Administration bases this recommendation on a "results not demonstrated" rating under OMB's Performance Assessment Rating Tool. But, rather than focusing on ways to strengthen vocational training programs, the Administration has chosen instead to slash the federal investment in vocational education by 25 percent.

Perkins Loans. The Bush budget once again puts the Perkins Loan program - the oldest federally supported student aid program - on the chopping block by proposing to end the \$99 million federal capital contribution to university revolving loan funds. The program leverages larger amounts for student financial assistance by requiring the colleges and universities to match every \$2 Perkins dollars with \$1 of their own resources. Although the Administration asserts that the program has outlived its usefulness, many students turn to Perkins Loans when they reach the maximum loan limits under the guaranteed student loan programs. Under the Administration's budget, 53,000 mostly low-income students will lose this vital source of assistance.

New Initiatives. The budget includes several modest new initiatives that seem designed to appeal to certain political constituencies, including initiatives for military families, student drug testing, and school choice. The budget also includes proposals related to the President's Jobs for the 21st Century initiative.

Military Families. The Bush budget includes a miniscule \$10 million for a new initiative to provide 5-10 grants to states and school districts to help smooth education transitions for students from military families who frequently change duty stations. The budget denies, however, even an inflationary adjustment for Impact Aid grants to 1,300

school districts enrolling over one million military and other federally-connected children. Impact Aid is frozen at last year's level of \$1.2 billion.

Student Drug Testing. The Bush budget greatly expands a student drug testing initiative from \$2 million in FY 2004 to \$25 million in FY 2005, even though the efficacy of student drug testing in reducing youth substance abuse has yet to be scientifically established. Federally-driven initiatives under the Safe and Drug Free Schools Program national activities account increase by 14 percent in the Bush budget, while funding for locally-determined anti-drug abuse and school safety initiatives is frozen at \$441 million, down 7 percent since FY 2002.

School Choice. The Bush budget again proposes a Choice Incentive Fund - funded at \$50 million - to finance private school vouchers. These funds would essentially expand a \$14 million school voucher program enacted last year for the District of Columbia into a nationwide program. A charter school facilities program would also more than double, from \$37 million in FY 2004 to \$100 million in FY 2005.

Jobs for the 21st Century. The Administration proposes a total of \$583 million for a collection of education and training initiatives at the Departments of Labor and Education, labeled *Jobs for the 21st Century*. On one hand, the Administration proposes to give \$250 million in new grants through DOL to build the capacity of community colleges to offer training focused on jobs in health and other high-growth industries. On the other hand, the Administration would cut vocational and job training

Jobs for the 21st Century Initiative			
<i>(Program level, \$ in millions)</i>			
	FY 2004	FY 2005	Difference
Department of Labor (DOL):			
Community College Initiative	0	250	+250
Department of Education (DOE):	175	508	+333
Enhanced Pell Grants	0	33	+33
Striving Readers	0	100	+100
Math and Science Partnerships	149	269	+120
Adjunct Teacher Corps	0	40	+40
Advanced Placement	24	52	+28
State Scholars	2	14	+12
Total, Jobs for the 21st Century:	175	758	+583
Offsetting Reductions:			
DOL Consolidated Adult and Youth Training	3,130	2,979	-151
DOL H-1B Training Rescission		-100	-100
DOE Vocational Training Grants	1,316	1,000	-316
Net New Investment	4,621	4,637	+16

funds awarded to community colleges through DOL's adult and dislocated worker training grants and DOE's vocational education grants. Adult training and employment services are cut by \$251 million in the Labor Department budget and, like last year, the budget cuts vocational education grants in the Department of Education budget by \$316 million or 25 percent – about 40 percent of these funds flow to 2-year colleges and technical institutes. In total, new investments under the *Jobs for the 21st Century* initiative would amount to about \$16 million after offsetting cuts are taken into account and would primarily be for secondary school reforms rather than actual job training.

EDUCATION PROGRAMS ELIMINATED IN THE PRESIDENT'S FY 2005 BUDGET

	FY 2004 Comparable	FY 2005 Request
Even Start	246,910,000	0
Comprehensive school reform	307,686,000	0
Javits gifted and talented education	11,111,000	0
Foreign language assistance	16,546,000	0
Regional technology in education consortia	9,876,000	0
Eisenhower regional math and science education consortia	14,814,000	0
Eisenhower Clearinghouse for Math and Science Education	4,939,000	0
National writing project	17,894,000	0
School leadership	12,346,000	0
Dropout prevention program	4,971,000	0
Close Up fellowships	1,481,000	0
Star schools	20,362,000	0
Ready to teach	14,321,000	0
Exchanges with historic whaling and trading partners	8,450,000	0
Excellence in economic education	1,491,000	0
Arts in education	35,071,000	0
Parental information and resource centers	41,975,000	0
Women's educational equity	2,962,000	0
Alcohol abuse reduction	29,823,000	0
Elementary and secondary school counseling	33,799,000	0
State grants for incarcerated youth offenders	19,882,000	0
Literacy programs for prisoners	4,971,000	0
Migrant and seasonal farmworkers	2,321,000	0
Recreational programs	2,564,000	0
Projects with industry	21,799,000	0
Supported employment State grants	37,680,000	0
Vocational education National programs	11,852,000	0
Occupational and employment information	9,382,000	0
Tech-prep education State grants	106,665,000	0
Tech-prep demonstration	4,939,000	0
Smaller learning communities	173,967,000	0
Community technology centers	9,941,000	0
Federal Perkins loans: Capital contributions	98,764,000	0
Leveraging educational assistance partnership	66,172,000	0
Higher education projects for students with disabilities	6,913,000	0
B.J. Stupak Olympic scholarships	988,000	0
Underground railroad program	2,222,000	0
Regional educational laboratories	66,665,000	0
TOTAL -- 38 Programs	1,484,515,000	0